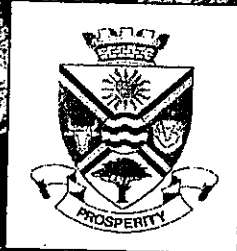


*Ga-Segonyana
Local Municipality*



*Oversight Report
2007/08*

1. INTRODUCCION

This Report is the Oversight Report of the Oversight Committee of the Ga-Segonyana Local Municipality. It has been compiled in terms of section 129 of the Municipal Finance Management Act, 2003; read in conjunction with MFMA Circular No. 32.

The basis for the activities of the Committee was an investigation into the performance of the Municipality during the 2007/08 financial year, as reflected in the Municipality's Annual Report for the said period (2007/08 financial year).

2. DELIBERATIONS & RECOMMENDATIONS

Issues related to the Annual Financial Statements of the Municipality could be summarised as follows:

Issue / Consideration	Performance
AFS submitted?	Yes
AG's Report included in AR and responded to by management?	Yes – Audit opinion = disclaimer
Assessment of municipal taxes and service charges?	Inadequate: Debtors age analysis p. 135
Performance targets against revenue from each source?	No indication that this issues has been adequately addressed in the AR

The audit opinion regarding the Annual Financial Statements of the Municipality was a disclaimer. This opinion was based on the following findings in the Auditor-General's Report:

Basis for disclaimer	Value
Bank balances	R4,5million
Income	R11,3million

Basis for disclaimer	Value
Assets	R241,6million
Debtors	R25,1million
Trust Funds	R12,0million
Accumulative Surpluses	R15,5million
Provisions	R2,4million
Creditors	R8,4million
Stock	R900,000
Irregular expenditure	R500,000
Total value	R322 million

The salaries, allowances and benefits of councillors were included in the Annual Report and Annual Financial Statements, but not those of the Municipal Manager, CFO or other senior managers.

As far as service delivery performance is concerned, conclusions that could be made from the Annual Report are as follows:

Issue	Report
Annual Performance report submitted	Yes and the annual performance report has been included in the AR (Chapters 2 and 5)
Performance indicators and targets obtained from the SDBIP and included in the Performance Plans of senior managers	Yes
Assessment of the performance of service providers?	No (not included)

FINANCIAL PERFORMANCE

Financial Matters			Opinion of the member of the Oversight Committee
1.1	The annual financial statements (AFS) for the municipality has been submitted to the AG	Consolidated financial statements that complies with applicable accounting standards has been included in the Annual Report	☐ Annual financial statements have been included as from page 43 in the Annual Report. Not complete.
1.2	The Auditor-General's Reports on the financial statements	Is the audit report included in the annual report tabled?	☐ Included as from p. 78 in Annual Report
1.3	Any explanations that may be necessary to clarify issues in connection with the financial statements	Were the financial statements accompanied by adequate clarifying notes?	☐ Yes. Refer to pp. 56-77 of the Annual Report. Notes not sufficient.
		Has the audit committee express an opinion regarding the financial statements and are these comments included in the Annual Report?	☐ No
1.4	An assessment by the accounting officer on any arrears on municipal taxes and service charges	Has an adequate assessment of any arrears on municipal taxes and service charges been included in the Annual Report?	☐ No. Not adequately addressed in the Annual Report. Debtor age analysis on p. 135 of the Annual Report. CFO only recently appointed.
		Is there sufficient explanation of the causes of the arrears and of actions to be taken to remedy the situation?	☐ No. Not adequately addressed in the Annual Report.
		Is any other action required to be taken regarding arrears on municipal taxes and service charges been included in the Annual Report?	☐ Action required. Not adequately addressed in the Annual Report.
1.5	Particulars of any corrective action taken or to be taken in response to issues raised in the audit reports	Audit opinion about the financial statements: Unqualified with or without management issues, qualified or disclaimer	☐ Disclaimer. Refer to pp. 79-81 for the basis of the disclaimer.
		Council's opinion regarding issues raised in the Auditor-General's Report	☐ Council did discuss issues in Council meeting. Not sufficiently addressed.
		Are the actions proposed considered by Management adequate to effectively address the issues raised in the audit report?	☐ More drastic measures to be considered.
		Has a schedule of action to be taken been included in the annual report, with appropriate due dates?	☐ Yes. Refer to pp. 87-93 of the Annual Report.
		Has the audit report been forwarded to the MECs for local government and finance?	☐ Yes.
1.6	An assessment by the municipality's accounting officer of the municipality's performance against measurable performance objectives for revenue collection from each source and for each vote in the approved budget	Does the budget of the municipality contain measurable performance objectives for revenue from each source and for each vote in the budget, taking into consideration the IDP?	☐ Not clear from the Annual Report. Performance does not relate back to revenue sources.
		Has the performance related to revenue collection met the expectations of the council and the community?	☐ Not satisfied with level of revenue collection. More drastic measures implemented to ensure financial viability. Too much debt written off. Other forms of generating revenue to be considered.
		Have the performance targets related to revenue collection been met?	☐ No. Refer to p. 128 and 130 of the Annual Report. The billed revenue was R2,080,479 less than budgeted for.

Financial Matters			Opinion of the member of the Oversight Committee
		What explanations have been provided for any non-achievement related to revenue collection?	☐ Yes. Refer to pp. 130-131 of the Annual Report.
1.7	Any information regarding the AFS that may be regarded as important	What are your general impressions about the AFS included / not included in the Annual Report?	☐ No. Not satisfactory explanations regarding issues causing the disclaimer of the audit opinion. Documentation not provided. Filing systems inadequate. Same items appear year after year + additional items. Suspense account not properly balanced and reconciled.
1.8	Recommendations of the audit committee in relation to the AFS and audit reports of the municipality	Have the recommendations of the audit committee in regard to the AFS been adequately addressed by the municipality?	☐ No report from the audit committee.
Allocations received and made			
2.1	Allocations received by and made to the municipality	Particulars of allocations received and made by the Municipality, either from Constitutional, statutory sources or from other spheres of government	☐ Allocations received by the Municipality are exposed on p. 72 of the Annual Report. Grants from National, provincial government and other sources are exposed on p. 136-138 of the Annual Report. Verification not possible. ☐ Money expected from other organs of State outstanding not reflected in the Report. No verification of receipt possible. Documentation should be provided to Council to verify whether all money has been received. ☐ Receipt of all money owed to the Municipality could not be verified.
2.2	Information related to the use of allocations received	Information per Vote: The current year and details of spending on all previous conditional grants, for the previous two financial years.	☐ Pp. 138 of the Annual Report: Comparative expenditure regarding MIG was made. ☐ Money randomly shifted among Votes without Council approval, which may point to possible misappropriation of funds.
		Information stating whether the municipality has complied with the conditions of the grants, allocations received in terms of section 214(1)(c) of the Constitution and allocations received from other than another organ of state.	Not specifically addressed in the Annual Report. The shifting of funds without Council approval may be interpreted as spending money for a purpose other than appropriated.
		Is Council satisfied that information regarding grants was properly disclosed in the Annual Report?	Indication of the utilization of MSIG and MIG were disclosed.
2.3	Information in relation to outstanding debtors and creditors of the municipality	Were amounts owed to the municipality and delayed by 30 days or more included in the AFS?	Debtor and creditor age analysis: Pp. 135-136 of the Annual Report. Also refer to p. 59
		Were municipal obligations in respect of audit fees, taxes, pension and medical aid funds been met?	Yes
Disclosure in notes to the AFS			
3.1	Information relating to benefits paid by the municipality to councillors, directors and officials	Were information regarding the following included in the notes to the AFS? Salaries, allowances and benefits of political office-bearers?	Yes. Refer to p. 139 of the Annual Report. Also p. 62.
		Any arrears owed by individual councillors to the municipality, which at any time were outstanding for more than 90 days, including the names of councillors.	Yes. Refer to p. 141 of the Annual Report. Names of councillors that have paid their debt are still appearing.

Financial Matters			Opinion of the member of the Oversight Committee
		Salaries allowances and benefits of the MM, CFO and every senior manager	P. 139. Particulars of MM and senior managers specifically addressed.
		Contributions for pension and medical aid of officials: Included in the Annual Report?	P. 139.(Yes)
		Travel, motor car, accommodation, subsistence and other allowances.	P. 139 (Yes)
		Housing benefits and allowances	P. 139 (Yes)
		Overtime payments	P. 139 (Yes)
		Loans and advances	P. 139 (Yes)
		Any other type of benefit and allowances related to staff	P. 139 (Yes)
		Remuneration of temporary workers	No disclosure of remuneration packages of contract workers, interims and the PMUs. Management must explain where the funds came from and how much they are being paid. Must be disclosed monthly.
			Adjustment of salaries in line with job grades.
			Certain managers receiving Subsistence and travel allowances are still utilizing Council vehicles.

GENERAL CONSIDERATIONS & IMPRESSIONS

General Information			Opinion of the member of the Oversight Committee
5.1	The use of any donor funding support	Is there an indication of the donor funding that the municipality has received in the Annual Report?	No. Donor funding not specifically addressed in the Annual Report
5.2	Agreements, contracts and projects under PPPs	Have all relevant detail regarding PPPs been exposed in the annual report?	No. PPPs not specifically addressed in the Annual Report.
5.3	Service delivery performance on key services provided	Are the strategic objectives of the municipality been well exposed in the Annual Report?	Yes. Refer to Chapters 2 and 5.
		Have the performance of the municipality in relation to its strategic objectives been clearly exposed in the annual report?	Yes. Refer to Chapters 2 and 5.
5.4	Information on long-term contracts	Are adequate detail of long-term contracts, including the level of liability to the municipality, be included in the annual report?	No. The issue has not been addressed in the Annual Report.
5.5	Information technology and systems	Are adequate details of significant IT activities been outlined in the Annual Report?	No. The issue has not been addressed in the Annual Report.
		Are details of proposed future IT proposals included in the Annual report?	No. The issue has not been addressed in the Annual Report.
5.6	Three year capital plan for addressing infrastructure backlogs in terms of the MIG framework	Were a summary of the long-term capital plans, and an indication of how these plans would address the service delivery backlogs been included in the annual report?	Pp. 131-133. The main capital projects are listed, but it is not specifically linked to long-term service delivery improvement targets.
Other considerations recommended			
6.1	Timing of reports	Was the report tabled in the prescribed	Yes.

General Information			Opinion of the member of the Oversight Committee
		time?	
		Has a schedule for consideration of the Report been adopted?	Yes – and an Oversight Committee has been established and approved by Council.
6.2	Oversight committee or other mechanism	Has a schedule for the completion and tabling of the oversight report been tabled and adopted?	Yes
		Is a duly constituted Oversight Committee in place?	Yes
6.3	Payment of performance bonuses to municipal officials	Has the payment of bonuses been reconciled with the conclusions made when the annual report was considered?	The Municipality has not yet finalized its performance appraisals for 2007/08.
		Have bonuses been paid based on achievement of agreed outputs and after consideration of the annual report by council?	No bourses have been paid to date.
		Has a proper evaluation of performance been conducted before bonuses were paid?	The Municipality has not yet finalized its performance appraisals for 2007/08.
		Were the evaluations approved by Council?	The Municipality has not yet finalized its performance appraisals for 2007/08.

SERVICE DELIVERY PERFORMANCE

Considerations			Opinion of the Member of the Oversight Committee
4.1	The annual performance reports of the Municipality	Has the municipality submitted annual performance reports that reflect the performance of the municipality and each service provider, compared with the targets set for the previous year and measures taken to improve performance. This report must form part of the annual report.	☐ Yes. Council discusses performance reports, but the implementation of Council recommendations and resolutions are inadequate.
		Has the performance report been included in the annual report?	☐ Yes. Refer to Chapter 2 (pp. 13-28) and 5 (pp. 143).
		Have the performance targets set in the budgets, SDBIP, service agreements, etc. Been included in the Annual report?	☐ Yes. Refer to Chapter 2 (pp. 13-28) and 5 (pp. 143). Not service agreements.
		Does the performance evaluation in the annual report regarding actual performance relate to targets expressed in the budgets and SDBIP approved for the FY?	☐ Yes. Refer to Chapter 2 (pp. 13-28) and 5 (pp. 143). Manipulation of targets to cover up unsatisfactory performance remains a problem.
		In terms of key functions or services, how has each performed? EG, have backlogs for water, sanitation and electricity been reduced?	☐ Refer to Chapter 2 (pp. 13-28) and 5 (pp. 143).
		Council's opinion regarding performance in terms of main services provided by the Municipality during the 2007/08 financial year	☐ Room for improvement.
		Did the targets set in the budgets, SDBIP agree with the targets set in the performance contracts of the MM and other s. 57 managers?	☐ Yes. The targets for section 57 managers have been obtained from the SDBIP.

Considerations			Opinion of the Member of the Oversight Committee
		Does the report evaluate the efficiency of mechanisms applied to deliver the performance outcomes?	☐ Refer to pp. 28-37. Room for improvement.
4.2	Audit reports on performance	Have the recommendations of the internal audit unit regarding the improvement of performance been acted on during the financial year?	☐ Shared services: Do not make recommendations regarding service delivery improvement.
		Have the recommendations of the internal audit unit and/or Auditor-General been included in action plans to improve performance in the following year?	☐ No. Action Plan.
4.3	Performance of municipal service providers	Does the annual report provide an assessment of the performance of municipal service providers?	☐ No.
		Oversight Committee's assessment	☐ Satisfied, but major issues, concerns and challenges to be addressed to improve the life of communities.